



REVIEW ARTICLE

IMPEDIMENTS IN IMPLEMENTATION OF A BUSINESS STRATEGY

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ABSTRACT

The complexity of the business environment has led to unprecedented importance of strategic planning and execution. Excellent organizations comprehensively measure and achieve outstanding results with respect to the key elements of their policy and strategy. Although formulating a consistent strategy is a difficult task for any management team, making that strategy work – implementing it throughout the organization – is even more difficult. Implementation of strategy calls for a systematic approach. But as observed by Adriana Knápková and Michaela Blahová in their article Effective Strategic Action: From Formulation to Implementation (2011), despite its importance, execution is often handled poorly by many organizations. The simple reason is that execution is extremely difficult. There are formidable roadblocks or hurdles that get in the way of the execution process and seriously injure the implementation of strategy. The research interest therefore is to study about the impediments in process of implementation of strategy with reference to the selected manufacturing companies.

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INTRODUCTION

Strategy is about making series of decisions that drive corporate action under specific coupling with company's environment and context. Strategic management allows organizations to be pro-active rather than re-active in order to shape its future better. The underlying rationale of strategic management is that through formulating and implementing effective strategies business performance can be enhanced (Craig *et al.*, 1993). Successful strategic management requires careful assessment, analysis, implementation and reevaluation of strategic tactics and the results obtained. Crafting and executing strategy are the core activities of managing a business towards success.

The managerial process of crafting and executing a company's strategy consists of inter-related and integrated phases (Thompson Arthur, 2012)

- Developing a strategic vision and setting objectives using them as yardsticks for measuring the company's performance and progress.
- Crafting a strategy to achieve the objectives and move the company along the strategic course that management has charted.

- Implementing and executing the chosen strategy efficiently and effectively and evaluating performance and initiating corrective adjustments

Managing the execution of strategy is the most demanding and time-consuming part of the strategy process. The utility of any tool lies in its effective usage and so is the case with strategy. Strategy is the instrument through which a firm attempts to exploit opportunities available in the business environment (Baporikar Neeta, 2008). The performance of a firm is a function of how effective it is in converting a plan into action and executing it. Thus implementation is the key to performance, given an appropriate strategy. Key to success is converting strategic plans into actions, communicating these plans and the strategic objectives to stakeholders (Haberberg Adrian and Rieple Alison, 2010). Numerous studies acknowledge that strategies frequently fail not because of inadequate strategy formulation, but because of insufficient implementation. However, strategy implementation has received less research attention than strategy formulation (report by NHS Institute of Innovation and Improvement, 2008).

Background of the topic

Needless to say that process of strategy consists for two parts namely formulation of strategy and implementation of strategy.

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In the earlier days importance was given to formulation of strategy. Good strategy is foundation to successful business and it was considered that implementation of strategy will automatically be taken care of when there is a good strategy in place. However, over period it was realized that strategy implementation is a skill by itself. It needs to be given special attention. A good strategy does not fetch results if its implementation is poor but an average strategy can bring better results if implemented well. In researches conducted till date it is found that majority of strategies fail due to lack of proper implementation and not for lack of proper formulation. In spite of emphasizing on importance of implementation and defining the standard steps and check-posts in implementation process, the researchers found that companies falter in successful implementation of strategy⁵. It is thus obvious that strategy implementation is a key challenge for today's organizations. There are many (soft, hard and mixed) factors that influence the success of strategy implementation, ranging from the people who communicate or implement the strategy to the systems or mechanisms in place for co-ordination and control. Floyd and Wooldridge (1992) label the gulf between strategies conceived by top management and awareness at lower levels as "implementation gap". They define *strategic consensus* as the agreement among top, middle-, and operating-level managers on the fundamental priorities of the organization. The ability of the organization to manage its fixed and variable costs, the daily expression of an organization's values, behaviors, mindset and tone and the leadership, values, behaviors, mindset and tone set by those responsible for driving the culture, performance affect the execution of the business strategy to a large extent (Ohmae Kenichi, 2002)

Literature Review

Strategy implementation is important but difficult because implementation activities take a long time-frame than formulation, involves more people and greater task complexity, and has a need for sequential and simultaneous thinking on part of implementation managers (Hrebiniak *et al.*, 1982). In view of these factors, research into strategy implementation is difficult because it entails the need to look at it over a long period of time. It presents conceptual and methodological challenges as it involves multiple variables, which interact with each other and show reciprocal causality. (Sorooshian *et al.*, 2010) Till the 1990's strategy formulation and implementation were seen as separate items, with a distinct focus on strategizing (achieving the fit between the environment and the plan) while effective implementation of it was taken as granted. The works of Mintzberg, Miller and Frieson, Pettigrew brought into focus the gaps between formulation and implementation. This brought into prominence the research stream concentrating on study of change. (Yang Li *et al.*, 2008). Vorhies and Morgan (2005) found that high performing organization has strong strategy implementation ability than the organizations of average performers. However, managers face problems in the phase of strategizing to implementation (Herbeniek *et al.*, 1982) The list of variables that gets generated from the frame works are: Environment, structure, power/ participation, incentives/ rewards, control, alignment of sub goals, detailed planning, resource allocation, evaluation, competencies/ experience, learning/ training, communication

and external partners. (Nihal Jaisimha, 2009). This research is an attempt to identify the impediments in process of strategy implementation and to find inter-relation amongst the factors to judge their combined impact on the success of strategy process.

Research Objectives

The objectives of the research are:

- a. To study whether companies have pre-defined procedures / systems for strategy implementation
- b. To study the nature of difficulties faced by companies in the processes of implementation of strategies

Scope of Study

The scope of the study is:

- a. This research is restricted to study of four large scale manufacturing companies
- b. All these companies are listed either on National Stock Exchange and Mumbai Stock Exchange
- c. Confidentiality being one of the main requirements of respondents, the names of companies will not be disclosed
- d. It focuses on implementation process of strategy for the selected companies
- e. It intends to study the ratings offered in self-assessment process by companies, for the process of strategy implementation.
- f. It aims to study through responses from senior level representatives of the respondent companies for three years namely 2011, 2012 and 2013.
- g. It also accesses published information about the selected companies.

Profile of companies studied

The data was collected for four selected manufacturing units. Company A is one of the three manufacturers in the world to manufacture and install 200 KW canned motor pumps for nuclear application. It is India's largest manufacturer and exporter of pumps and also the largest infrastructure pumping project contractor in Asia. It has subsidiary in England and is the undisputed leader in the Fire-fighting and Water Supply segments in Europe and the Middle East. Together the two companies represent the world's largest fire fighting pump business for onshore and offshore applications.

The second company is one of the leading Industrial Houses in India, with a sharp focus on primarily four sectors, viz. Engineering Steel, Automotive and Non-Automotive Components and Equipments, Renewable Energy & Infrastructure and Specialty Chemicals. The Group has joint ventures with some of the world leaders such as ArvinMeritor, USA, Carpenter Technology Corporation, USA, Hayes Lemmerz, USA, FAW Corporation, China, Gerdau SA, Brazil, Alstom, NTPC., etc.

In close cooperation with customers and business partners, and with over 135 years of experience, the third company, who today is the world leader in its line of business. The business

concept is to be a world-leading provider of industrial sustainable productivity solutions. Products and services range from compressed air and gas equipment, generators, construction and mining equipment, industrial tools and assembly systems, to related aftermarket, and rental services. It manufactures and assembles products in 23 different countries. Manufacturing is concentrated to Belgium, Sweden, the US, Germany, France, and China. Through a worldwide sales network the company reaches more than 160 countries, and distribution centers have been established in strategically important locations. The fourth company's business areas include actuation, foundation and modulation of the braking system. As a manufacturer of brakes for two-wheelers, three-wheelers, passenger cars, utility vehicles, light commercial vehicles and agriculture tractors; the company uses its system engineering capabilities to suggest the right kind of brake system for the OEMs. The company is ISO-9000, ISO-9001 and the QS-9000 certified. The company has a technical agreement with Japan Brake Industrial Co, Japan for brake shoe bonding technology. The company has acquired 40% interest in Precision Seals Manufacturing.

Tools of data collection

A structured questionnaire combined with an unstructured interview was used as a tool of data collection. The focus of the questions was on discussing the process of strategy implementation and studying the weak links or impediments in the whole process.

Method used for data analysis

The data collected is more qualitative in nature. Hence, the researcher used descriptive /qualitative analysis. Analysis of the qualitative data obtained from interviews with company professionals combined with the questionnaire responses provided basis for some analytical thinking leading to inferences on processes adopted by companies and awareness of management concepts amongst companies. Basic statistical tools of descriptive analysis like percentages, mean and coefficient of correlation were used to arrive at certain findings.

Limitations

- a. This is a very small group study and hence cannot be generalized to all business units.
- b. The data collected is qualitative statement of the respondents and hence possibility of bias cannot be avoided.

Findings from the study

The researcher studied four companies to find the nature of impediments faced by companies in process of implementation of strategy. Two of the companies chosen were multinational and two were Indian business houses. All four belonged to different business sectors. List of six major reasons for failure of implementation of strategy are identified with help of literature review and the respondents are asked to rate the

frequency of occurrence of all or any of them (as applicable) on scale of 1 to 5.

Following are the observations from the analysis of questionnaire and discussions with the respondents and the questionnaire data

1. Only 15% of the stakeholders involved can fairly understand the strategy. The strategic process often was top down and as a result it was very necessary that the objectives and action plans be effectively communicated to all concerned stakeholders. However, it was found that there was no clarity of inter-relation between goal and action implied under the strategy. 50% companies falter in establishing an interconnection between the strategic objectives and the action plan.
2. In 25% companies, stakeholders showed a resistance to change whenever it was expected as a matter of strategy implementation. These stakeholders linked their personal objectives and incentives to strategy. They were not convinced enough about the need for change and its linkage to the larger picture of organizational goals.
3. 25% of organizations don't link budgets to strategy. Since budgets are the traditional tools for planning the allocation of human and financial resources, strategic plans and strategic initiatives may fall short in terms of necessary resources.
4. Almost all company officials agreed that they gave less than one hour in discussing strategy. Majority of time in meetings was invested in discussing financials of the company in terms of budgeted and actual income or expenses. There was some more time spent on distribution of resources on the "most urgent" requirement.
5. An important finding is about communication about strategic goals and initiatives taken by company:
 - a. 50% companies are not doing well in communicating the goals and action plans to all concerned.
 - b. The personal interviews revealed that 25% companies face problem of over-communication. Multiple channels of communication, too much information to everybody, multiple reporting channels, and communication made for avoiding responsibility has distorted communication when especially it is downward communication.
 - c. 50% companies said they lack communication of review results and a linkage between the strategic objectives and the tasks assigned.
6. Another important factor brought out by every respondent was about unclear vertical communication. Since, all companies use a top-down approach to strategy formulation, it is very important that a feedback is taken after its implementation. The feedback is not about the success or failure of the strategy but can be for improvements, the level of skills required or the market / competition response and so on. There were very few channels open for upward communication. Even if there was a channel open, the received feedback was not taken very seriously.

7. It was found that absence of proper review procedure was one reason which secured highest score. All companies indirectly indicated that it is more often the reason for failure of strategy.
8. 50% of company officials are unhappy about their company's response time in incorporating corrective actions in the strategy. Lack of prompt corrective actions based on mid-term review reports is an area of concern as also found in the reasons for implementation failure.
9. Companies have indicated that their leaders are not skilled enough in change management. 50% companies said the company could not manage the change coming due to stake acquisition and 25% companies said they were unable to manage the technological changes in market at a fast rate. 75% companies said the leaders were unable to lead through unstable and difficult economic situations. The reason as shared by executives for this was the closed style of management.

Recommendations and Conclusions

- The prime suggestions after the research is that the companies have to incorporate very strong implementation review system. The companies have to ensure that there is least possible time-gap involved in framing the review reports and taking action based on the same. Delay in actions based on review reports defeats the purpose of review.
- Needless to say that, the management has to strive to create an environment of confidence, and learning in the organization. Employee engagement is very important and has to be ensured by every organization. A committed and learning workforce (which includes the management team also) shall solve almost all hurdles in process of implementation.
- Communication is about the creation of meaning and understanding, not simply moving information around. Senior managers need to dialogue regularly with employees about the organization's purpose, goals, projects, differentiation, members, competitors, and how their departments and the employee's personal efforts contribute to the organization.

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